



# ECPI GLOBAL LONGEVITY WINNERS EQUITY INDEX

The Index selects the companies best placed to seize opportunities arising from the sharp increase in life expectancy in developed countries

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# BACKGROUND: GLOBAL DEMOGRAPHIC TRENDS AND OPPORTUNITIES

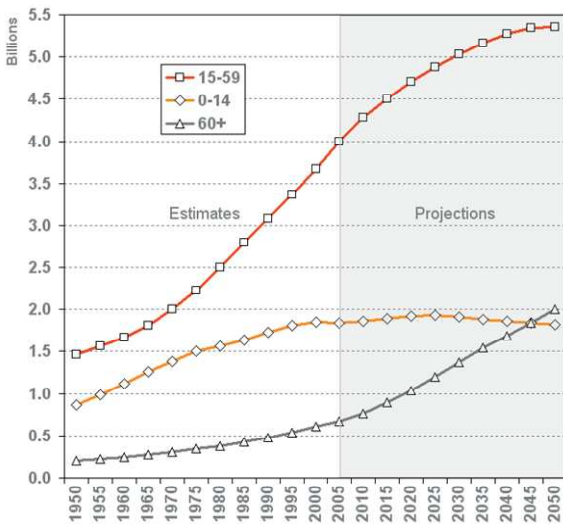
## GLOBAL DEMOGRAPHIC TRENDS: LONGEVITY AND AGEING

Over the past 200 years, life expectancy at birth has increased dramatically. Having started in Northwestern Europe, the trend has gradually spread worldwide. In almost all countries, life expectancy at birth has at least doubled since the eighteenth century.[1]

Moreover, demographers believe that, with the exception of Sub-Saharan Africa and the areas of the former Soviet Union, life expectancy will continue to rise in the coming decades, even in those countries currently enjoying the greatest longevity. [1]

The result: in the most developed regions, the population aged 60 or over is expected to nearly double between 2005 and 2050, from 245 million to 406 million. The number under the age of 60, meanwhile, is expected to decline gradually from 971 million in 2005 to 839 million in 2050.[2]

So, while one in every ten of us is currently aged 60 or above, by 2050 that figure is expected to be one in every five. A century later, forecasts suggest, it will be one in every three. [3]



Source: UN World Population Prospects - 2006 Revision

## HIGHER LIFE EXPECTANCY WILL IMPACT THE MARKETS

The culminating trends of higher life expectancy and lower fertility will influence the global economy significantly over the next 50 years. [4]

In the US, Europe and Japan in particular, the pension crisis will be bigger and more urgent than anticipated, potentially affecting private companies and public welfare systems alike. As people live longer, so healthcare costs will rise, too.

Thanks to the senior population, discretionary spending and leisure activities will boom. Demand among the elderly for specially-equipped facilities, where they can live in safety and comfort, will rise. Seniors are also expected to actively engage with technological innovations, with companies and researchers targeting them as both consumers and users. [4]

## POTENTIAL OPPORTUNITIES FOR COMPANIES

Systematic changes in the economy as well as new consumption trends will offer firms fresh sources of competitive advantage:

Systematic changes: will favour certain sectors/industries such as Healthcare

New consumption trends: the expanding elderly population will demand explicit targeting and customization. [5]

ECPI has identified the sectors best positioned to benefit from the longevity trend and, among these sectors, the best placed companies in terms of both ESG profile and business opportunities.

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## INDEX CONSTRUCTION

### SECTOR SELECTION

ECPI has identified six sectors as being best positioned to benefit from the longevity trend, both in terms of:

- a) additional turnover on existing products/services and/or
- b) additional turnover from new products/services.

#### Financial

- Growing demand for life insurance as a private supplement to public retirement schemes (e.g. reforms aiming at creating a third pillar besides public pensions and pension funds).
- Growing demand for private health insurance schemes covering a wider range of events (e.g. welfare reforms in continental Europe).

#### Real Estate

- Increasing demand for healthcare infrastructures and equipped facilities (e.g. residential districts and/or hospices).

#### Healthcare – Big Pharma and Medical

- Increasing demand for health-related products and services.
- The elderly, together with chronically ill and disabled people, already make up the largest share of healthcare expenditures.

#### Technology & Industrial

- Increasing demand of cost saving technologies in the healthcare industry (e.g. devices for personal data gathering, sharing and elaboration).
- Rising demand for home-technology solutions (e.g. health monitoring).
- Rising demand for safety and security devices (e.g. home automation systems).

#### Consumer

- Growing relevance of the 50+ cohort in terms of consumption capacity: an eagerness to maintain a high quality of life, consumption habits and better health will lead to an increase in discretionary spending (e.g. Tourism & Entertainment as well as Food & Cosmetics).

### STOCK SELECTION

The selection of individual Index components is based on their:

- REVENUE STREAM ANALYSIS
- ECPI ESG RATING
- STOCK LIQUIDITY

#### 1. REVENUES STREAM ANALYSIS

From each sector, six constituents are selected on the basis of their exposure to the longevity and ageing trends.

##### Financial

Companies with higher exposure to the Health and Life Insurance product lines.

##### Real Estate

Companies providing healthcare and residential care infrastructure.

##### Healthcare

*Big Pharma:* Of the most capitalized pharmaceutical companies, those with a particular focus on drugs aimed at ageing-related diseases such as diabetes, Alzheimer's and prostate cancer.

*Medical:* Companies focused on the treatment of specific longevity-related issues (e.g. those specializing in reconstructive orthopedic care, or dental implants).

##### Technology & Industrial

Companies with the strongest focus on healthcare, safety and security, and home-integrated solutions such as home automation systems or health monitoring.

##### Consumer

Of the most capitalized Consumer sector companies, those that are best positioned in more than 50 market segments in terms of their strategies and products.

#### 2. ECPI ESG RATING

Any companies not attaining a positive ESG Rating according to the ECPI Methodology are then excluded.

The ESG Rating -- an evaluation by ECPI Research of a firm's Environmental, Social, and Governance performance -- aims to single out companies with the highest unexpressed intangible value.

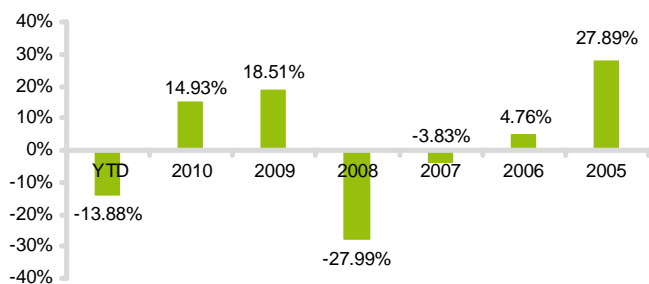
#### 3. LIQUIDITY SCREENING

Traditional liquidity criteria are applied in order to build a liquid and hedgeable investment tool.

- Minimum market capitalization: € bio
- Minimum 6-month average trading volume: €10 mio

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Number of Constituents	<b>36</b>
Eligibility Monitoring	<b>Daily</b>
Constituent Weights	<b>Equal</b>
Index Rebalancing Frequency	<b>Quarterly</b>
Minimum 6-month ADV	<b>10 mio EUR</b>
Constituents Minimum Market Cap.	<b>1 Bio €</b>
Currency of Calculation	<b>EUR</b>
Average Market Cap. (EUR bio)	<b>35.14</b>
Largest Market Cap. (EUR bio)	<b>136.00</b>
Smallest Market Cap. (EUR bio)	<b>1.21</b>
Highest Index Value (since 2003)	<b>1868.38</b>
Lowest Value (since 2003)	<b>843.62</b>

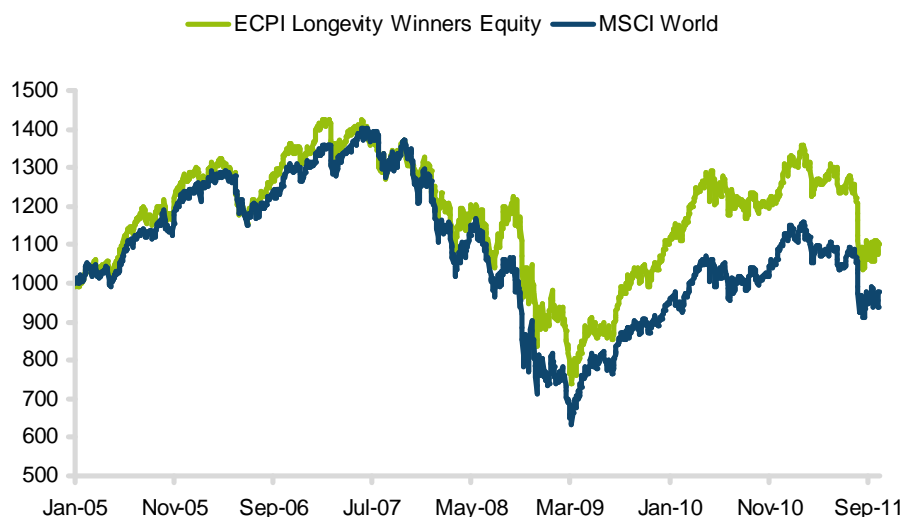


Average	Annualized Volatility
Since 2003	<b>16.87%</b>

Fundamental Analysis	P/E Trailing	P/E Projected	P/B	P/S	P/CF	Dividend Yield
	17.78	13.49	1.67	0.70	11.87	2.25

Country	
DENMARK	3.84%
FRANCE	7.69%
GERMANY	8.84%
ITALY	2.31%
JAPAN	5.63%
NETHERLANDS	5.42%
SWITZERLAND	10.57%
UNITED KINGDOM	6.42%
UNITED STATES	49.28%
Total	100.00%

Sector	
Consumer, Cyclical	14.22%
Consumer, Non-cyclical	41.67%
Financial	27.19%
Industrial	14.41%
Technology	2.50%
Total	100.00%



### Index Summary

Asset Class	Equity	Bond	Alternative
Investment Objective	Beta	Alpha	Income
Constituents	Large Caps	Medium Caps	Small Caps
Screening	Positive	Negative	Both
Bias	Geographical	Industry	Quantitative

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## DEFINITIONS

**P/E trailing:** Current price/index earnings. Index earnings are calculated by summing up the trailing 12 months EPS before XO items of the member companies multiplied by the shares in the index and divided by the index divisor. US and Canada: calculated using trailing 12 month diluted EPS from continuous operations of each member.

**P/E projected:** Current price/index projected earnings. Index projected earnings are calculated by summing all members' best EPS in FY1 multiplied by shares in the index and divided by the index divisor.

**P/B:** Current price/index weighted book value. Index weighted book value is calculated by summing up current book value per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**P/S:** Current price/index sales. Index sales are calculated by summing up all trailing 12 month sales per share, multiplied by shares in the index and divided by the index divisor.

**P/CF:** Current price/index cash flow. Index cash flow is calculated by summing up the trailing 12 month cash flow per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**Dividend Yield:** Index dividend/current price. Index dividend is calculated by taking the sum of all members' last 12 month dividends, multiplied by shares in the index and divided by the index divisor. Market convention dividends use gross dividends except for Australia, New Zealand, and the United Kingdom, which use net.

Fundamental Data Source: Bloomberg

## RESOURCES

- [1] Anthony Webb, Ph.D. DO HEALTH AND LONGEVITY CREATE WEALTH? (2007)
- [2] United Nations, "World Population Prospects - 2006 Revision" (Jan 2007)
- [3] United Nations, Department of Economic and Social Affairs, "Population Division"
- [4] Generation Inv. Management, Thematic Research Highlights (May 2007)
- [5] Stefan Scheider, The Silver Test (2003)

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